



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

DOCKET NO: H-10	BOARD MEETING: June 5, 2012	PROJECT NO: 12-009	PROJECT COST: Original: \$503,879
FACILITY NAME: Schaumburg Renal Center		CITY: Schaumburg	
TYPE OF PROJECT: Non Substantive			HSA: VII

PROJECT DESCRIPTION: DaVita, Inc., and ISD Schaumburg, LLC (the applicants) are proposing to add 6 ESRD stations to a 14 station facility for a total of 20 ESRD stations in 9,374 GSF of leased space in Schaumburg. The cost of the project is \$503,879.



EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- DaVita, Inc., and ISD Schaumburg, LLC (the applicants) are proposing to add 6 ESRD stations to a 14 station facility in 9,374 GSF of leased space in Schaumburg. The cost of the project is \$503,879.
- **The anticipated project completion date is December 31, 2014.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- To establish a health care facility as defined by Illinois Health Facilities Planning Act.

PURPOSE OF THE PROJECT:

- The proposed project seeks to maintain access to life-sustaining ESRD services in Schaumburg and the HSA-VII ESRD service area.

NEED FOR THE PROJECT:

- To expand service at an existing ESRD facility the applicant must document that
 1. the proposed service will provide service to planning area residents;
 2. there must be a demand for the service in the planning area;
 3. there is staffing availability and support services; and
 4. the proposed stations will not reduce the utilization of other area providers.
- **The State Board Staff Notes** for the expansion of an existing ESRD facility current State Board rule does not require the determination if facilities within 30 minutes are operating at the State Board's target occupancy of 80%.

BACKGROUND/COMPLIANCE ISSUES

- Neither applicant has outstanding compliance issues with the State Board.

PUBLIC HEARING/COMMENT

- No public hearing was requested and no letters of opposition were received by the State Board Staff. A letter of support for this project was received from **Rick Floyd President of Sherman Health** that stated in part *"Davita is one of the leading providers of these life services in the U.S. and we are happy to support their expansion of their Schaumburg facility."*

FINANCIAL AND ECONOMIC FEASIBILITY

- The entirety of the project will be funded through internal sources (Cash and Securities/Fair Market Value of the Leases and a review of the financial statements indicate sufficient cash is available to fund the project.



CONCLUSIONS:

- **The applicants addressed a total of 12 review criteria and have met all of the State Board criteria:**
 - 1110.234 (a) – Project Size
 - 1110.234 (b) – Project Services Utilization
 - 1110.1430 (e) – Staffing
 - 1110.1430 (f) – Support Services
 - 1110.1430 (j) – Assurance
 - 1120.120 (a) – Availability of Funds
 - 1120.130 (a) – Financial Feasibility
 - 1120.140 (a) – Reasonableness of Finance Cost
 - 1120.140 (b) – Terms of Debt Financing
 - 1120.140 (c) – Reasonableness of Project Costs
 - 1120.140 (d) – Projected Operating Costs
 - 1120.140 (e) – Total Effect of the Project on Capital Costs
- There is a calculated station need in the HSA-VII ESRD service area of 92 ESRD stations by CY 2013. The applicants are requesting an additional six stations to the existing 14 station ESRD facility for a total of 20 stations. The calculated need will support the station increase. There are currently 73 patients being treated at the facility. The referring physician has identified an additional 39 patients that will need dialysis service within the next 12-18 months. If these referrals should materialize the 14-station facility will be operating at 133.33%. The facility is currently operating at 82.14% and has averaged 80.16% utilization for the past 8 quarters as reported by the Renal Network. **The applicants have met all of the requirements of the State Board for the expansion of an existing dialysis facility.**



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

STATE BOARD STAFF REPORT
Schaumburg Renal Center, Schaumburg
PROJECT #12-009

Applicants	DaVita, Inc. ISD Schaumburg, LLC
Facility Name	Schaumburg Renal Center
Location	Schaumburg
Application Received	January 25, 2012
Application Deemed Complete	January 25, 2012
Review Period Ended	March 25, 2012
Review Period Extended by the State Board Staff	No
Public Hearing Requested	No
Applicants' Deferred Project	No
Can Applicants Request Another Deferral?	Yes
Project Completion Date	December 31, 2014

I. The Proposed Project

DaVita, Inc., and ISD Schaumburg, LLC (the applicants) are proposing to add 6 ESRD stations to a 14 station ESRD facility in 9,374 GSF of leased space in Schaumburg. The cost of the project is \$503,879.

II. Summary of Findings

- A. The State Board Staff finds the proposed project appear to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

DaVita, Inc., and ISD Schaumburg, LLC (the applicants) are proposing to add 6 ESRD stations to a 14 station ESRD facility in 9,374 GSF of leased space in Schaumburg. The cost of the project is \$503,879. The applicants are ISD Schaumburg, Inc. and DaVita, Inc. DaVita, Inc is the parent organization for all the entities and Torgo Management, Inc. owns the site. ISD Schaumburg, LLC is the operating entity. The facility is located at 1156 South Roselle Road, Schaumburg in HSA VII. HSA VII is comprised of the Suburban Cook and



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

Dupage Counties. The April 2012 update to the IDPH Inventory of Health Care Facilities ("Inventory") shows a computed need for 92 ESRD stations in HSA VII.

There is no land acquisition cost for this project, as the proposed facility will be an expansion of an existing facility. This is a substantive project subject to both a Part 1110 and Part 1120 review. Project obligation is contingent on permit issuance. **The anticipated project completion date is December 31, 2014.**

No public hearing was requested and no letters of opposition were received by the State Board Staff. A letter of support for this project was received from **Rick Floyd President of Sherman Health** that stated in part *"Davita is one of the leading providers of these life services in the U.S. and we are happy to support their expansion of their Schaumburg facility."*

IV. The Proposed Project - Details

DaVita, Inc., and ISD Schaumburg, LLC (the applicants) are proposing to add 6 ESRD stations to a 14 ESRD station facility in 9,374 GSF of leased space in Schaumburg. The cost of the project is \$503,879.

V. Project Costs and Sources of Funds

The total estimated project cost is \$503,879. The proposed project is being funded with cash and securities totaling \$503,879. Table One outlines the project's costs and uses of funds. The State Board Staff notes all costs are classified as being clinical.

TABLE ONE	
Project Uses and Sources of Funds	
Uses of Funds	Clinical
Modernization Contracts	\$143,035
Contingencies	\$21,455
A & E Fees	\$21,648
Consulting & Other Fees	\$30,000
Moveable Equipment	\$237,741
Other Costs to be Capitalized	\$50,000
Total Uses of Funds	\$503,879



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

TABLE ONE	
Project Uses and Sources of Funds	
Uses of Funds	Clinical
Sources of Funds	Clinical
Cash and Securities	\$503,879
Total Sources of Funds	\$503,879

VI. Cost/Space Requirements

Table Two displays the project's cost/space requirements for the project. The clinical portion comprises approximately 100% of the cost and GSF.

TABLE TWO							
Schaumburg Renal Center-Cost/Space Allocation							
Clinical Department	Cost	Existing GSF	Proposed GSF	New	Modernized	Vacated	As Is
ESRD	\$503,879	0	9,374	9,374	0	0	0
Total	\$503,879	0	9,374	9,374	0	0	0

VIII. Section 1110.230 - Project Purpose, Background and Alternatives

A. Criterion 1110.230(a) - Background of Applicant

The Criterion states:

- "1) An applicant must demonstrate that it is fit, willing and able, and has the qualifications, background and character, to adequately provide a proper standard of health care service for the community. [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicant, HFPB shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by such person or entity (refer to 77 Ill. Adm. Code 1100



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

and 1130 for definitions of terms such as "adverse action", "ownership interest" and "principal shareholder").

The applicant provided a list of all health care facilities currently owned and/or operated by the applicant, including licensing, certification and accreditation identification numbers, a certified statement from the applicant that no adverse action has been taken against any facility owned and/or operated by the applicant during the three years prior to the filing of the application, and authorization permitting HFPB and Illinois Department of Public Health (IDPH) access to any documents necessary to verify the information submitted. The applicants appear fit, willing and able and have the qualifications, background and character to adequately provide a proper standard of healthcare service for the community.

B. Safety Net Impact Statement/Charity Care

Davita's Safety Net Statement

DaVita accepts and dialyzes patients with renal failure needing a regular course of dialysis without regard to race, color, national origin, gender, sexual orientation, age, religion, disability or ability to pay. Complete charity care is very unusual as most dialysis patients are covered by some type of payment system.

US Citizen patients are covered by commercial insurance, Medicare or Medicaid. If not covered through one of these avenues there are options through application and acceptance to receive payment through the American Kidney Foundation or National Kidney Foundation. For non-qualified aliens in IL the Emergency Medicaid program covers them.

If we have exhausted all other avenues for payment methods, we have a patient financial evaluation policy in place. From this evaluation we determine the financial ability and obligation to pay.

This information was taken from Davita Inc. 10-K for fiscal year ended December 31, 2010

"Medicare pays 80% of the amount set by the Medicare system for each covered treatment. The patient is responsible for the remaining 20%. In most cases, a secondary payor, such as Medicare supplemental insurance, a state Medicaid program or a



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

commercial health plan, covers all or part of these balances. Some patients, who do not qualify for Medicaid but otherwise cannot afford secondary insurance, can apply for premium payment assistance from charitable organizations through a program offered by the American Kidney Fund. We and other dialysis providers support the American Kidney Fund and similar programs through voluntary contributions. If a patient does not have secondary insurance coverage, we are generally unsuccessful in our efforts to collect from the patient the 20% portion of the ESRD composite rate that Medicare does not pay. However, we are able to recover some portion of this unpaid patient balance from Medicare through an established cost reporting process by identifying these Medicare bad debts on each center's Medicare cost report.

TABLE THREE			
Davita Illinois Facilities			
Self Pay and Medicaid Information			
CHARITY CARE	2008	2009	2010
Net Revenue	\$ 138,964,396	\$ 149,370,292	\$ 161,884,078
Charity (# of Self-Pay Patients)	52	66	96
Charity (Self-Pay Cost)	\$321,510	\$597,263	\$957,867
% of Net Revenue	0.23%	0.40%	0.59%
MEDICAID			
Medicaid (Patients)	443	445	563
Medicaid (Revenue)	\$8,695,341	\$8,820,052	\$10,447,021
% of Net Revenue	6.26%	5.90%	6.45%

C. Criterion 1110.230(b) - Purpose of the Project

The Criterion states:

The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

- 1) The applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the**



project. Examples of such information include:

- A) The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower fertility rates) that may affect the need for services in the future;
 - B) The population's morbidity or mortality rates;
 - C) The incidence of various diseases in the area;
 - D) The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);
 - E) The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).
- 2) The applicant shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need (IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).
 - 3) The applicant shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicant shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.
 - 4) For projects involving modernization, the applicant shall describe the conditions being upgraded. For facility projects, the applicant shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicant shall also include repair and maintenance records.

The applicants state that the purpose of the proposed project is to continue to meet the growing need for ESRD services in this area of Schaumburg. According to the applicants the existing facility cannot accommodate the demand for the physician that rounds at the existing facility. This facility is currently operating at 82.14% and average utilization for the past four quarters is 80.65%.



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

The applicants cited quantifiable goals as being the ability to improve access while monitoring patient demand, and that the facility will achieve quality outcomes as demonstrated by achieving 85% of patients having a URR greater than or equal to 65%, and 85% of patients having a Kt/V greater than or equal to 1.2.

D. Criterion 1110.230(c) - Alternatives to the Proposed Project

The Criterion states:

"The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

- 1) Alternative options shall be addressed. Examples of alternative options include:
 - A) Proposing a project of greater or lesser scope and cost;**
 - B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;**
 - C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and**
 - D) Other considerations.****
- 2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.**
- 3) The applicant shall provide empirical evidence, including quantified outcome data, that verifies improved quality of care, as available."**

The applicants considered the two alternatives:

- 1. Do Nothing**



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

The applicants report a growing patient population, and did not consider this a viable option. The applicants believe the additional stations are needed to meet the current and future demand.

2. Utilize Existing Facilities

The applicants rejected this alternative because it did not meet the current and future needs of the patients that have been identified as needing dialysis services. The applicants determined the addition of stations to an existing facility was the most cost effective alternative to meet the needs of the dialysis patients. See pages 193-194 of the application for permit for a complete discussion.

VI. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space - Review Criteria

A) Size of Project

The Criterion states:

"The applicant shall document that the amount of physical space proposed for the project is necessary and not excessive. The proposed gross square footage (GSF) cannot exceed the GSF standards of Appendix B, unless the additional GSF can be justified by documenting one of the following:

- 1) Additional space is needed due to the scope of services provided, justified by clinical or operational needs, as supported by published data or studies;**
- 2) The existing facility's physical configuration has constraints or impediments and requires an architectural design that results in a size exceeding the standards of Appendix B;**
- 3) The project involves the conversion of existing bed space that results in excess square footage."**

The applicants propose to add 6 stations to an existing 14 station facility for a total of 20 stations in 9,374 GSF of leased space. The State board standard is 360-520 GSF per station. The applicants note the project is allocating 469 GSF per station. The proposed project meets the spatial



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

standards established by the State Board, and a positive finding has been made.

TABLE FIVE SIZE OF PROJECT 12-009 Schaumburg Renal Center				
Department /Service	Proposed BGSF/DGSF	State Standard	Difference	Met Standard?
ESRD Facility	9,374GSF (20 Stations)	360-520 GSF (325 GSF/Station)	51.3 GSF under per station	Yes

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE SIZE OF PROJECT CRITERION (77 IAC 1110.234(a)).

B) Criterion 1110.234 (b) - Project Services Utilization

The applicant shall document that, by the end of the second year of operation, the annual utilization of the clinical service areas or equipment shall meet or exceed the utilization standards specified in Appendix B. The number of years projected shall not exceed the number of historical years documented. If the applicant does not meet the utilization standards in Appendix B, or if service areas do not have utilization standards in 77 Ill. Adm. Code 1100, the applicant shall justify its own utilization standard by providing published data or studies, as applicable and available from a recognized source, that minimally include the following:

The applicants have documented by the second year after project completion (2016), they will be above the State Board's target occupancy of 80% (Application, P. 206).

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED SERVICES UTILIZATION CRITERION (77 IAC 1110.234(b)).

VII. Section 1110.1430 - In-Center Hemodialysis Projects - Review Criteria

The criterion for establishing an ESRD facility reads as follows:

- 1) 77 Ill. Adm. Code 1100 (formula calculation)



- A) The number of stations to be established for in-center hemodialysis is in conformance with the projected station deficit specified in 77 Ill. Adm. Code 1100, as reflected in the latest updates to the Inventory.
- B) The number of stations proposed shall not exceed the number of the projected deficit, to meet the health care needs of the population served, in compliance with the utilization standard specified in 77 Ill. Adm. Code 1100.

2) Service to Planning Area Residents

- A) Applicants proposing to establish or add stations shall document that the primary purpose of the project will be to provide necessary health care to the residents of the area in which the proposed project will be physically located (i.e., the planning or geographical service area, as applicable), for each category of service included in the project.
- B) Applicants proposing to add stations to an existing in-center hemodialysis service shall provide patient origin information for all admissions for the last 12-month period, verifying that at least 50% of admissions were residents of the area. For all other projects, applicants shall document that at least 50% of the projected patient volume will be from residents of the area.
- C) Applicants proposing to expand an existing in-center hemodialysis service shall submit patient origin information by zip code, based upon the patient's legal residence (other than a health care facility).

b) Planning Area Need Review Criterion

The applicant shall document that the number of stations to be established or added is necessary to serve the planning area's population, based on the following:



STATE OF ILLINOIS HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

1) 77 Ill. Adm. Code 1100 (formula calculation)

According to the April 2012 update to the IDPH Inventory of Health Care Facilities ("Inventory"), HSA-VII shows a computed need for 92 ESRD stations.

2) Service to Planning Area Residents

The primary purpose of this project is to provide in-center ESRD services to the existing and growing patient base at Schaumburg Renal Center in Schaumburg (HSA-VII). The applicants have provided patient origin information for all admissions in last 12-month that verifies that at least 50% of the patients reside in the planning area.

4) Expansion of In-Center Hemodialysis Service

The applicants are currently providing service to 73 patients at the Schaumburg facility and have identified an additional 39 patients that will need dialysis service in the next 12-18 months. If the referrals should materialize the applicants will be operating at 133.33% at the 14 station ESRD facility. The applicants have averaged 80.16% for the past 8 quarters as reported by the Renal Network.

Conclusion

There is a calculated need for 92 stations in the HSA VII ESRD planning area which supports the addition of the 6 stations. From the documentation provided it appears that the applicants can justify the additional stations based upon the historical utilization and future demand for the service in the planning area.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PLANNING AREA NEED CRITERION (77 IAC 1110.1430(b)).

C) Staffing - Availability

The Criterion states:



"The applicant shall document that relevant clinical and professional staffing needs for the proposed project were considered and that licensure and JCAHO staffing requirements can be met. In addition, the applicant shall document that necessary staffing is available by providing letters of interest from prospective staff members, completed applications for employment, or a narrative explanation of how the proposed staffing will be achieved.

1) Qualifications

- A) Medical Director - Medical direction of the facility shall be vested in a physician who has completed a board-approved training program in nephrology and has at least 12 months experience providing care to patients receiving dialysis.**
- B) Registered Nurse - The nurse responsible for nursing services in the unit shall be a registered nurse (RN) who meets the practice requirements of the State of Illinois and has at least 12 months experience in providing nursing care to patients on maintenance dialysis.**
- C) Dialysis Technician - This individual shall meet all applicable State of Illinois requirements (see 210 ILCS 62, the End Stage Renal Disease Facility Act). In addition, the applicant shall document its requirements for training and continuing education.**
- D) Dietitian - This individual shall be a registered dietitian with the Commission on Dietetic Registration, meet the practice requirements of the State of Illinois (see the Dietetic and Nutrition Services Practice Act [225 ILCS 30]) and have a minimum of one year of professional work experience in clinical nutrition as a registered dietitian.**
- E) Social Worker - The individual responsible for social services shall have a Master's of Social Work and meet the State of Illinois requirements (see 225 ILCS 20, the Clinical Social Work and Social Work Practice Act)."**

The applicants have provided the necessary information as required by the criteria. It appears that there will be sufficient staff to accommodate the additional patient load.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE STAFFING



CRITERION (77 IAC 1110.1430 (e) (1)).

D) Support Services

The Criteria states:

"An applicant proposing to establish an in-center hemodialysis category of service must submit a certification from an authorized representative that attests to each of the following:

- 1) Participation in a dialysis data system;**
- 2) Availability of support services consisting of clinical laboratory service, blood bank, nutrition, rehabilitation, psychiatric and social services; and**
- 3) Provision of training for self-care dialysis, self-care instruction, home and home-assisted dialysis, and home training provided at the proposed facility or the existence of a signed, written agreement for provision of these services with another facility."**

The applicants have provided all of the required documentation to address this criterion.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH THE SUPPORT SERVICES CRITERION (77 IAC 1110.1430 (f)).

J) Assurances

The Criterion states:

"The applicant representative who signs the CON application shall submit a signed and dated statement attesting to the applicant's understanding that:

- 1) By the second year of operation after the project completion, the applicant will achieve and maintain the utilization standards specified in 77 Ill. Adm. Code 1100 for each category of service involved in the proposal; and**
- 2) An applicant proposing to expand or relocate in-center hemodialysis stations will achieve and maintain compliance with the following adequacy of hemodialysis outcome measures for the latest 12-month period for which data are available:**



STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD

525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 • (217) 782-3516 FAX: (217) 785-4111

≥ 85% of hemodialysis patient population achieves area reduction ratio (URR) ≥ 65% and ≥ 85% of hemodialysis patient population achieves Kt/V Daugirdas .1.2."

The applicants provided the required certification information on page 157 of the application for permit as required of the criterion. The applicants note DaVita patients in Illinois have achieved the following adequacy outcomes, and the same is expected for Schaumburg Renal Center.

- 85% of patients had a URR ≥ 65%
- 85% of patients had a Kt/V ≥ 1.2

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE ASSURANCES CRITERION (77 IAC 1110.1430 (j)).

X. 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources.

The applicants are funding the project with cash and securities totaling \$503,879. A review of the applicants' financial statements indicates that sufficient cash is available to fund the project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120 (a)).

XI. 1120.130 - Financial Feasibility

A. Criterion 1120.130 - Financial Viability

Financial Viability Waiver

The applicant is NOT required to submit financial viability ratios if:



- 1) all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or

HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

- 2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA), or its equivalent; or

HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

- 3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

The applicants are funding the project with cash and securities totaling \$503,879. A review of the applicants' financial statements indicates that sufficient cash is available to fund the project.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL FEASIBILITY CRITERION (77 IAC 1120.130 (a)).

XII. Section 1120.140 - Economic Feasibility

A. Criterion 1120.140(a) - Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:



1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

The applicants are funding the project with cash and securities totaling \$503,879. A review of the applicants' financial statements indicates that sufficient cash is available to fund the project.

THE STATE BOARD STAFF FINDS THE REASONABLENESS OF FINANCING ARRANGEMENTS CRITERION IS INAPPLICABLE TO THE PROPOSED PROJECT (77 IAC 1120.140(a)).

B. Criterion 1120.140(b) - Terms of Debt Financing

This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) That the selected form of debt financing for the project will be at the lowest net cost available;

2) That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;



3) That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment are less costly than constructing a new facility or purchasing new equipment.

The applicants are funding the project with cash and securities totaling \$503,879. A review of the applicants' financial statements indicates that sufficient cash is available to fund the project.

THE STATE BOARD STAFF FINDS THE TERMS OF DEBT FINANCING CRITERION IS INAPPLICABLE TO THE PROPOSED PROJECT (77 IAC 1120.140(b)).

C. Criterion 1120.140(c) - Reasonableness of Project Cost

The applicant shall document that the estimated project costs are reasonable and shall document compliance with the State Board's standards as detailed in 77 IAC 1120.

Modernization and Contingencies – These costs total \$164,490 or \$171.70 per gross square foot. ($\$164,490/958\text{GSF} = \171.70). This appears reasonable when compared to the State Board standard of \$181.99.

Contingencies – These costs total \$21,455. These costs are 14.99% of modernization costs. This appears reasonable when compared to the State Board standard of 10%-15% of modernization costs.

Architect and Engineering Fees – These costs total \$21,648 or 13.16% of modernization and contingency costs. This appears reasonable when compared to the State Board standard of 9.92%-14.88% of modernization and contingency costs.

Consulting and Other Fees – These costs total \$30,000. The State Board does not have a standard for this cost.

Moveable Equipment - These costs total \$237,741 or \$39,624 per station. This appears reasonable when compared to the State Board standard of \$39,945.



Other Costs to be Capitalized - These costs are \$50,000. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COST CRITERION (77 IAC 1120.140 (c)).

D) Criterion 1120.140 (d) - Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

The applicants anticipate the direct operating costs per treatment to be \$205.75. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECT DIRECT OPERATING COSTS CRITERION (77 IAC 1120.140 (d)).

E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The applicants anticipate the total effect of the Project on Capital Costs per treatment to be \$22.69. The State Board does not have a standard for these costs.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1120.140 (e)).

The map displays the Schaumburg, Illinois area, with a callout box identifying the Schaumburg Renal Center at 1156 S Roselle Rd, Schaumburg, IL 60193. The map shows major highways including I-90, I-55, and I-290, and labels for surrounding cities such as Chicago, Elgin, and Aurora. A scale bar at the bottom indicates distances up to 20 miles.